

ArcelorMittal SA posts R168m loss

■ Decline in local demand to hurt revenues even further

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AFTER suffering a R168 million headline earnings loss for the three months to September, ArcelorMittal South Africa warned of a higher earnings loss for the fourth quarter due to a slowdown in domestic demand in December.

The expected loss in the last quarter would be aggravated by production losses after tap-hole repairs of the blast furnace at its Newcastle plant, it reported yesterday.

Shares in the firm dropped 3.47 percent to R33.40 on the JSE yesterday as the market was surprised at continued margin squeeze and guidance by the company that steel demand will not recover next year, an analyst who spoke on condition of anonymity, said.

"Anyone who buys shares in ArcelorMittal SA now must be aware the steel market will not recover anytime soon. Operational issues at ArcelorMittal SA make business problems worse," he added.

It blamed the weak domestic steel demand, de-stocking and higher input costs, specifically electricity as a result of the winter tariffs for the headline earnings loss of R168m in the third quarter compared with R177m loss reported in the previous quarter.

The earnings loss in the

ArcelorMittal SA

Share price, rand Jul 2-Oct 31



third quarter was an improvement on the R460m loss reported in the corresponding period last year, it said.

"The primary factors underlying this quarter's results were the continued weakness in domestic steel consumption, lower average selling prices in dollar terms offset to some degree by a softening in raw material prices, especially coking coal, pellets and scrap," ArcelorMittal SA chief executive Nonkululeko Nyembezi-Heita said yesterday.

The troubled steel producer was issued with a notice instructing it to stop operation on some units at its Vanderbijlpark plant by the Gauteng Department of Agriculture and Rural Development last Monday. The department alleged



An ArcelorMittal South Africa plant in operation. The company posted a loss of R168 million in the third quarter.

that these units did not comply with certain conditions in the atmospheric emission licence.

The firm made an application to the authorities to suspend the notice and plans to make an appeal. ArcelorMittal SA said it had complied with the conditions in the licence

that it was allegedly in breach of, and that this aspect and various legal arguments served as the basis for contesting the compliance notice.

"We are complying with the conditions in our licence that were allegedly breached and are therefore contesting the

compliance notice. We remain fully committed to maintaining and improving our environmental performance and the recent completion of various improvement projects bears testimony to this," she said.

ArcelorMittal SA reported a 12 percent drop in revenue to

R7.6bn as steel shipments fell by 12 percent.

Domestic and export shipments slid 5 percent and 27 percent respectively, with both flat and long steel products down 12 percent. The cost of hot-rolled coil and billets rose by 1 percent and 2 percent, respectively.